

FOR IMMEDIATE RELEASE

**PJM RELIABILITY PRICING MODEL PRODUCING RESULTS***Improves Reliability by Attracting More  
Demand Response and Generation, Slowing Plant Retirements*

(Valley Forge, Pa. – July 13, 2007) – PJM Interconnection's new method of pricing electric capacity is producing the intended results: more demand response, reduced power plant retirements and additional generation. Results of PJM's capacity auction were announced today.

PJM's Reliability Pricing Model (RPM) auction ensures that enough capacity is in place to keep the lights on for the 51 million people in the PJM region. The most recent auction attracted 1,300 megawatts (MW) of new resources. Significantly, 536 MW of demand response cleared the auction. (Demand response is a voluntary reduction in the use of electricity. A key feature of the RPM was the ability of demand response to compete with and to be paid the same as generation.)

"We're seeing an incredible response in just six months," said Andrew L. Ott, PJM vice president – Markets. "We have more than 500 megawatts of new, additional demand response offered into this auction – that's equal to a power plant, and it's four times the amount of demand response from our first auction in April.

"We had 2,300 megawatts come from generators that chose to restart closed plants, withdraw requests to retire plants or postpone retirement. We had new generation enter the auction largely through upgrades to existing units to produce more power. These are the results we intended to see from RPM."

RPM sends price signals that attract resources to the areas where they are most needed.

"The RPM auction brought the strongest response in our Eastern and Southeastern Mid-Atlantic areas that are growing urgently short of capacity to maintain reliability," Ott said. "The greatest amount of new resources and generation pulled from retirement was in those areas."

PJM's Eastern Mid-Atlantic area includes all of New Jersey as well as the PECO and Delmarva Power and Light territories. The auction cleared 169 MW of demand response in the area and 2,049 MW of generation previously slated for retirement.

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The Southeastern Mid-Atlantic area includes the service territories of Baltimore Gas and Electric Company and Pepco. The auction cleared 309 MW of demand response in the area and 102 MW of generation previously slated for retirement.

PJM's long-standing capacity requirement ensures that there are sufficient resources in place to meet consumers' demand for electricity plus a reserve margin. PJM members that sell electricity to end-use customers must have access to adequate power supplies. They can use generation, transmission or demand response, including energy-efficiency programs. They can meet their supply requirements by owning resources (self-supply) or contracting for them (bilaterals).

In the current auction, the price for capacity in most of PJM was \$111.92 per megawatt-day (MW-day). For the two areas with limited capacity resources, actual prices paid by utilities and other load serving entities will be \$143.51 per MW-day in the Eastern Mid-Atlantic and \$180.58 per MW-day in Southeastern Mid-Atlantic. The RPM allows higher prices for capacity where supplies are short. The prices are for capacity between June 1, 2008 to May 31, 2009.

The RPM auctions procure needed capacity after participants have specified self-supply and contracted (bilateral) resources. As part of the phase-in to the RPM, one more auction will be conducted this year. After that, annual auctions will procure capacity three years prior to the required need to provide opportunity for planned resources to compete to supply the needed capacity service.

PJM's analysis shows that the RPM will yield lower costs overall than the previous model. Ott said that last year's historically low capacity prices could not continue. "We would have faced power shortages in future as demand grew and generation retired and was not replaced with new resources," Ott noted.

*PJM Interconnection ensures the reliability of the high-voltage electric power system serving 51 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region's transmission grid, which includes 6,038 substations and 56,250 miles of transmission lines; administers the world's largest competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. Visit PJM at [www.pjm.com](http://www.pjm.com).*

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